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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/01/08

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Articles:

## 1) TOP HEADLINES

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More-food poisoning cases from Chinese gyoza dumplings reported:  
Health ministry orders 19 companies that imported foods from China to check items other than gyoza as well; JT received complaint from consumers six months ago

Nikkei:

Greenhouse gas emissions: Government to obtain emissions credits from China, India through ODA

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## 2) EDITORIALS

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(1) China-made gyoza dumplings: There are no borders for food safety

(2) Education Revitalization Council gone with Mr. Abe

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Yomiuri:

(1) China-made gyoza dumplings: Toughen system to protect food safety

(2) Additional interest rate cuts in U.S.: Unusual decision intended to avert crisis

Nikkei:

(1) Food poisoning from Chinese gyoza dumplings and responsibility of companies, administrators

(2) Cornered FRB further cuts interest rate

Sankei:

(1) Diet deliberations on special-purpose road construction revenue: Good opportunity to reallocate revenues for other uses

(2) Managerial position in name only: Use McDonald's case as springboard to broader discussion on work

Tokyo Shimbun:

(1) Poisonous China-made gyoza dumplings case is a life-threatening incident

(2) U.S. lowers interest rate: Search for ways to strengthen cooperation

Akahata:

(1) Shimbun Akahata marks 80th anniversary: Carries truth and courage, observing tradition

## 3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 31

NIKKEI (Page 2) (Full)  
February 1, 2008

07:40

Met Deputy Chief Cabinet Secretary Iwaki at the Kantei.

08:52

Met Chief Cabinet Secretary Machimura in the Diet building.

09:00

Attended an Upper House Budget Committee meeting.

11:58

Arrived at the Kantei.

13:00

Attended the Upper House Budget Committee meeting.

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17:31

Attended a meeting of the Council on Economic and Fiscal Policy at the Kantei.

18:38

Attended a meeting of the Education Rebuilding Council. Later, attended a get-together of the council.

20:07

Returned to his official residence.

4) Gov't eyes buying emissions credits from China, India, other countries via ODA

NIKKEI (Top play) (Abridged)  
February 1, 2008

The government will set out to obtain greenhouse gas emission credits from foreign countries through its official development assistance (ODA) programs in order for Japan to attain its Kyoto Protocol goal for reducing greenhouse gas emissions. Japan recently agreed with India, Sri Lanka, and Egypt to trade ODA projects for emission credits under the United Nations' newly endorsed emissions trading system. Japan will also negotiate with China and African countries. The government is also aiming to hold down its fiscal burden since the cost of ODA-based trading for emission credits is lower than that of market-based emissions trading. Other advanced countries are also likely to utilize ODA-based mechanisms for emissions trading.

The U.N.-introduced emissions trading system is called the Clean Development Mechanism (CDM), an arrangement under the Kyoto Protocol allowing industrialized countries to extend financial or technical cooperation to developing countries so as to reduce their emissions as an alternative to more expensive emission reductions in their own countries. Japan will trade emissions under this system. In the Kyoto Protocol, Japan promised to achieve a reduction of 6 PERCENT from 1990 levels in its greenhouse gas emissions between 2008 and 2012. The CDM is seen as an effective way for the Kyoto Protocol signatories to meet their respective goals.

So far, a CDM-examining board of the United Nations has not allowed ODA-based emissions trading. That is because the U.N. board considered developing countries' concern that advanced countries may only aim for emission credits and reduce their ODA budgets for road and other infrastructure construction projects.

However, the United Nations has now switched to reckon in emission credits at the request of Japan and other advanced countries only if ODA recipient countries agree. Japan has been showing a downturn trend of its ODA projects overseas. However, Japan's fiscal 2006 spending on eco-related ODA projects overseas accounted for 30 PERCENT of its total budget for ODA programs.

It is now difficult for Japan to achieve its Kyoto Protocol goal. As it stands, Japan will go ahead of Europe and apply to the United Nations for its authorization of trading with developing countries for emissions quotas based on ODA projects leading to emission cuts in these countries.

The government is expecting to obtain emission credits from Sri Lanka in February through Japan's ODA projects in that country.

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Japan has invested in a Sri Lankan project to utilize gas from coconut shell charcoal plants for power generation, thereby reducing carbon dioxide (CO2) emissions by 52,000 tons. India is now undertaking a subway project in Dehli. In this project, Japan will help India reduce its CO2 emissions with its efficient use of energy. In addition, Japan has already agreed with Egypt to trade emissions with a wind-power generation project in the eastern part of that country.

Meanwhile, the government will shortly negotiate in full swing with China and African countries as well. Japan will end its new yen loans to China in the current fiscal year. However, many of Japan's continued projects in China are leading to CO2 cuts. Japan will aim for emission credits with these projects.

In July this year, Japan will host the summit meeting of Group of Eight (G-8) nations at Lake Toya in Hokkaido. The G-8 summit is expected to focus on African development and global environmental issues. The government is also looking into the possibility of increasing its ODA budget for Africa. Japan is going to negotiate with African countries over possible CO2-reducing projects for emissions trading.

5) Former Prime Minister Mori: Tokyo will produce results in TICAD

NIKKEI (Page 2) (Full)  
February 1, 2008

Former Prime Minister Yoshiro Mori of the ruling Liberal Democratic Party (LDP), now visiting Ethiopia, delivered a speech as the Japanese government's envoy in a general meeting of the African Union (AU) at noon Jan. 31 (the night of same day, Japan time). Speaking in it of the fourth Tokyo International Conference on African Development (TICAD) to be held in May in Yokohama, Mori said: "Japan wants to make the conference a place to produce concrete results." He also revealed that Tokyo would reflect views of African nations in the Group of Eight summit, which will take place in July at Lake Toya in Hokkaido. He announced that Tokyo would provide food aid worth 4.1 million dollars (approximately 430 million yen) to Kenya through the World Food Program, mainly for refugees.

6) Foreign Minister Koumura suggests setting up an experts panel to deal with whaling issue

ASAHI (Page 4) (Full)  
February 1, 2008

Foreign Minister Koumura late yesterday met with visiting Australian Foreign Minister Smith at the Foreign Ministry's Iikura Guesthouse in Tokyo. In the session, Koumura, in an effort to resolve the whaling issue over which the two countries are disputing, told Smith, "It's important for experts from the two countries to discuss the issue cool-headedly." In response, Smith indicated a willingness to set up such a panel.

Japan and Australia had their first foreign ministerial since the Rudd administration was inaugurated. Speaking of Japan's research whaling, Smith said, "The Australian government and its people think whaling is unnecessary." On the other hand, Smith indicated a certain degree of understanding toward Japan's position.

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The two foreign ministers agreed to implement a cabinet-level strategic dialogue among Japan, the United States, and Australia as swiftly as possible. The strategic dialogue would be a trilateral forum for the foreign ministers to discuss measures to deal with terrorism and security affairs in the Asia-Pacific region. Japan, the U.S., and Australia have already strengthened their partnership, as seen in their first three-way summit held in Sydney last September.

Koumura and Smith also exchanged views on an "action plan" for the two countries to facilitate security cooperation in such areas as peacekeeping operations. They reconfirmed the policy of promoting talks to realize a bilateral economic partnership agreement (EPA).

7) Consumer-oriented policy already facing testing time: Another thorny issue with China, following joint gas field development issue

TOKYO SHIMBUN (Page 2) (Full)  
February 1, 2008

The food poisoning from Chinese gyoza dumpling has directly dealt a blow to the Fukuda administration's policy slogan. Prime Minister Fukuda in a policy speech given only recently came up with a policy of attaching importance to working people and consumers in a policy speech. If he does not take any measures to wipe away anxieties over food safety, his policy could be reduced to an empty slogan. With Chinese President Hu Jintao's Japan visit close at hand in the spring, the food safety issue is pressing hard relations between Japan and China.

Fukuda on Jan. 31, stressed his intention to determine the cause of the poisoning and do his utmost to prevent the escalation of the damage, noting, "We must determine the present situation and the extent of the damage the incident has caused. We must also take preventive measures. We must immediately take whatever measures we can take now."

Regarding the safety of Chinese foods, a joint paper issued at the Japan-China high-level economic dialogue between cabinet ministers of both countries held in December last year incorporated a Chinese participant's declaration that China will attach importance to the safety of food and manufactured products. However, tainted foods escaped watchful eyes.

The government immediately held a related-ministers' meeting and decided to take measures to prevent a recurrence. However, it is extremely difficult to fully check ever-increasing imported foods. The prime minister has called for unifying entities responsible for consumer administration with a consumer agency initiative in mind. If the administration cannot prevent tainted foods from being imported, public mistrust in it is bound to grow.

Tokyo and Beijing have started coordination with the possibility of State Councilor Tang Jiaxuan and Foreign Minister Yang Jiechi visiting Japan between late February and March to pave the way for President Hu's Japan visit. Reciprocal visits by top leaders of the two countries will move into full swing with the aim of establishing a mutually-beneficial strategic relationship.

As the first step for preparation for President Hu's visit to Japan, Deputy Vice Foreign Minister He Yafei visited Japan on Jan. 31 and

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held talks with Foreign Minister Masahiko Koumura. Such issues as the joint development of gas fields in the East China Sea were on the agenda, but the food safety issue was also put on the agenda on short notice.

Regarding a possible impact of the food poisoning issue on bilateral relations, Koumura told reporters, "The food poisoning is not a matter that would worsen diplomatic ties between the two countries."

He also pointed out possible impacts of the incident, such as

consumers refraining from buying Chinese foods, saying, "Since food safety is the greatest matter of concern, various effects will be felt by people."

8) Food federation urges Health Ministry to tighten checks on U.S. beef, Chinese dumplings

AKAHATA (Page 5) (Full)  
February 1, 2008

Zenkoku Shokkenren (the national liaison association to protect the safety of food and health of the people) yesterday asked the Ministry of Health, Labor and Welfare (MHLW) to tighten checks on food such as U.S. beef, as well as to continue the current subsidy system for blanket BSE testing. Regarding the case of Chinese frozen gyoza dumplings found to have been contaminated with an organic phosphorus agricultural chemical, the group urged the ministry to improve its inspection system.

The Japanese government, despite objections from Japanese consumers and producers, has allowed U.S. beef from cattle 20 months of age or younger to be imported on the condition that all specified risk materials be removed. But several violations of the bilateral beef trade agreement have been found, raising concerns about the safety regime of the U.S.

On January 12, the government announced that U.S. beef from 21 month-old cattle had been imported and that some of it had already been sold. Executive Officer Masaaki Sakaguchi and others complained that U.S. beef imports should be banned again since the U.S. plants are not observing safety procedures.

An MHLW official explained that the U.S. meatpacker in question found afterward that it had made data entry errors in its shipment control computer program.

Also referring to a case in which even meat from downer cattle was put on the market in the U.S., Shokkenren emphasized that the ministry should take a resolute attitude toward the U.S., which has not taken perfect safety measures.

On the incident of China-made food poisoning, the association urged the MHLW to increase inspectors and improve inspection stations, with one member remarking: "It is a problem that Japan has stopped inspecting all boxes containing U.S. beef, though violation cases have been discovered. Japan should strengthen its inspection system when imports arrive in Japan."

9) Ozawa shifts focus to bringing about Lower House dissolution in fall or later to preserve momentum

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ASAHI (Page 1) (Abridged)  
February 1, 2008

Major opposition Democratic Party of Japan (DPJ or Minshuto) President Ichiro Ozawa will shift his focus to Lower House dissolution for a snap general election in the fall or beyond. Although he has aimed at an April crisis for resulting in an early Diet dissolution, the just-ended battle over a stopgap bill has deprived him of powerful ammunition to force Prime Minister Fukuda into dissolving the Lower House. Ozawa has also concluded that Fukuda is determined not to dissolve the chamber until after the G8 Lake Toya Summit in July. Envisaging that the DPJ's presidential race will take place before September, Ozawa will shift to a long-term strategy with the aim of preserving his grip on the party.

Ozawa made a speech before a study group for junior lawmakers yesterday in which he indicated that elections in Japan and the United States would occur around the same time when the Chinese economy would become visibly chaotic. He apparently tried to present the view that Lower House dissolution and a general election would be in the fall or later by citing the Nov. 4 U.S. presidential election.

In order to force Lower House dissolution in April, Ozawa had intended to realize a drop in the gasoline price following the expiration of the provisional tax rate and to submit a censure motion against the prime minister timed with the ruling bloc's use of a two-thirds majority override vote. It turned out, however, that although the DPJ succeeded in forcing the ruling bloc to withdraw the stopgap bill, the speaker and president of the two houses of the Diet have effectively sealed off the DPJ's strategy of lowering the price.

Discontent with Ozawa is simmering in the DPJ due to his skipping of a vote on a refueling special measures bill in a plenary session followed by the party's defeat in the Osaka gubernatorial race. Although Ozawa will continue searching for ways to lower the gasoline price, a failure to force the prime minister into Diet dissolution might take a heavy toll on his momentum in the party. For this reason, Ozawa on Jan. 30 urged Secretary General Yukio Hatoyama to work out a compromise proposal with the Diet speaker and president for bringing the stopgap legislation issue to a conclusion.

10) Government, ruling parties aim to create fait accompli on gasoline tax

NIKKEI (Page 2) (Excerpts)  
February 1, 2008

Following the agreement between the ruling and opposition parties on the handling of the current provisional tax rates for resources for road construction, including the provisional gasoline tax, attention is now being paid to how a bill revising the Special Taxation Measures Law will be modified. Prime Minister Fukuda referred to the possibility of revising the legislation. He aims to make passage a fait accompli. However, differences remain between the ruling and opposition camps on such issues as whether the bill should be modified or not, when and the scope of the modification. The two sides are likely to be forced to grope for a way to settle the issue with an eye on public opinion, as well as on views inside and

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outside their parties.

In a House of Councillors Budget Committee session yesterday, Fukuda asked both ruling and opposition parties to do their best to enact the legislation before the end of the current fiscal year. He also revealed the perception that the terms of provisional tax rates might be shortened, saying: "It is true that maintaining the law for another 10 years contradicts the principle of decentralization. We will secure consistency if efforts for decentralization are pushed ahead with." It was the first time for Fukuda to mention the possibility of modifying the bill. His aide said: "It was his message to the opposition bloc in an attempt to support consultation between the ruling and opposition camps."

Views on deliberations on revising the bill were raised also in meetings of the factions in the ruling Liberal Democratic Party (LDP). Former Secretary General Hidenao Nakagawa of the Machimura faction emphasized: "We should discuss the opposition's plan to shift the revenues for road construction to the general budget and a plan to set up an environment tax." Taku Yamasaki sought faithful and earnest response to revising the bill.

However, there are differences of opinion even in the ruling coalition over such specific points as the timing for revising the bill and the contents of a revision. LDP Secretary General Bunmei Ibuki believes that the bill will be passed by the Lower House without any revision and that the ruling and opposition parties will discuss a revision of the bill at the Upper House. The LDP Upper House executive has taken a position that the revision issue should be resolved in the Lower House.

The New Komeito, the LDP's coalition partner, which proposed a setting up a consultative organ of senior members of the ruling and opposition parties, has a heightened sense of alarm toward consultation between the ruling and opposition blocs, with one

member saying, "Promotion of consultations may accelerate a trend of forming a grand alliance between the LDP and Democratic Party of Japan (DPJ)."

11) DPJ group calling for reducing gasoline prices in hot water

NIKKEI (Page 2) (Full)  
February 1, 2008

A group calling for reducing gasoline prices, which is made up of 50 junior House of Representatives members of the main opposition Democratic Party (DPJ or Minshuto), is now being forced to review its strategy. The group led by Hiroshi Kawauchi made about 1,700 banners, which say "Cut gasoline prices by 25 yen." They set up a picket in the Diet in defiance of the stopgap bill retaining the provisional tax rates for another 10 years. However, since the ruling and opposition parties reached an agreement by the good offices of the leader of the two Diet houses, it has now become difficult to reduce gasoline prices in April.

There is a cool view in the largest opposition party that the group's mission is over. Many in the party are now asserting that the party should emphasize a plan to shift the revenues for road construction to the general budget. The DPJ, therefore, intends to set up a new unit on the tax system. The party has set up a taskforce on revenues for road projects and provisional tax rates, which is headed by Deputy President Naoto Kan. The DPJ's strategy

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appears to be wavering.

12) Education Rebuilding Council final report proposes making moral education an official subject immediately

YOMIURI (Page 2) (Abridged slightly)  
February 1, 2008

The government's Education Rebuilding Council, chaired by Ryoji Noyori, met for the last time at the Prime Minister's Office last evening and presented Prime Minister Yasuo Fukuda with its final report. The report lists priority proposals that have been mentioned in the first to third reports but have not been implemented, such as making moral education an official subject and measures for increasing academic achievement. It also calls for establishing a new organization in the government responsible for evaluating schools' progress on implementing tasks. The council, established in October 2006 under the initiative of then Prime Minister Shinzo Abe, will now dissolve after completing its role.

The final report is composed of: (1) what must be taught, (2) teachers and schools, (3) education support systems, (4) reforms of higher education, and (5) education involving society. The report also lists two categories: what must be done immediately and what must be studied. The "immediate" category includes making moral education an official subject; posting to elementary schools teachers to exclusively teach such subjects as science, arithmetic, and physical education; and conducting 30 PERCENT of university classes in English. The "study" group includes the establishment of a sports agency; the flexible operation of the 6-3-3-4 system; the requirement of cell-phone filtering.

The report also urges the Education Ministry and other relevant government agencies, local governments, and boards of education to craft plans to steadily implement the tasks.

Based on the proposal, the government plans to establish a new, follow-up organization in the cabinet as early as this month.

13) Fukuda, Fukui make comments on subprime crisis

NIKKEI (Page 5) (Full)  
February 1, 2008

In a meeting of the Council on Economic and Fiscal Policy yesterday, Prime Minister Yasuo Fukuda said on the impact of the U.S. subprime mortgage crisis: "The financial markets across the world remain

volatile. The U.S. economy is also slowing down. It is important to be ready to take speedy action in response to the situation." He stressed the necessity for the government and the Bank of Japan (BOJ) to jointly cope with the situation according to future moves of the Japanese economy.

Fukuda also expressed his eagerness to promote the reform of the financial market from a medium-term point of view, saying: "Set off by the subprime fiasco, I would like to examine risks in the Japanese economy in a cool-headed manner and address reform with a sense of urgency."

Meanwhile, BOJ Governor Toshihiko Fukui said: "It is necessary to look at the real state of the economy not with a sense of fear but calmly." The BOJ, while admitting that the Japanese economy is

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slowing down, has insisted that the virtuous cycle mechanism regarding production, income, and expenditures has been maintained. Private-sector members see the central bank's view as somewhat unreasonable. In response, Fukui made a counterargument.

14) Economic panel in new growth strategy calls for accepting more foreign skilled workers

NIKKEI (Page 5) (Full)  
February 1, 2008

The government's Council on Economic and Fiscal Policy approved the outline of a new economic growth strategy in its meeting yesterday. To draw the vitality of a growing Asia into Japan, the panel proposes establishing a system to accept students and highly skilled workers. It also calls for introducing the system in the financial and capital markets at an early date. On the management of the macro economy, the panel confirmed the need for the government and the Bank of Japan to jointly deal with turmoil in the market.

Reflecting Prime Minister Yasuo Fukuda's ideas, the new strategy places emphasis on human resource training and employment expansion. As measures related to globalization, which is indispensable for Japan's growth in the future, the panel calls for arranging a system to accept foreign trainees to have them learn high technology, as well as foreign students. It will also look into introducing English education at elementary schools as a compulsory subject.

As measures for employment expansion, the panel suggests increasing the number of children admitted to nurseries and enabling working women to take childcare leave several times. For elderly persons, some measures will be taken to improve their skills.

In a press conference after the meeting, State Minister in Charge of Economic and Fiscal Policy Hiroko Ota said that the growth strategy aims at growth starting from households.

Private-sector members of the panel listed measures that should be implemented at an early date. Under the current system, only Japanese shares are subject to listed investment trust funds in principle, but the panel suggests expanding the scope of subjects.

The panel will work out specific measures based on the outline of the strategy by this spring. It plans to reflect such measures in the government's annual policy guidelines on economic and fiscal policy due out in June.

15) Plaintiffs in gender-based wage discrimination suit seeking compensation from Kanematsu win reversal in Tokyo High Court

TOKYO SHIMBUN (Page 1) (Excerpts)  
February 1, 2008

Six female workers at the trading house Kanematsu Corp. (based in Tokyo's Minato Ward), including former employees, had carried their appeal to the Tokyo High Court against Kanematsu seeking a combined 380 million yen in damages caused by different wages being paid to men and women. Yesterday, the Tokyo High Court overturned the Tokyo District Court's decision on four of the six plaintiffs, confirmed

that wage gap is discrimination, and ordered the company to pay them a total of 72.5 million yen.

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Presiding Judge Yoshiaki Nishida recognized that four workers have gained work experience and have expertise, and that they have handled the same difficult job as their male colleagues have. The judge ruled that there is no grounds for the pay disparity and that such disparity violates the Labor Standards Law, (which stipulates the principle of paying the equal pay for equal work for men and women)."

As for the remaining two plaintiffs, the judge dismissed their appeal, citing such reasons as their length of service was below 15 years and their positions did not require any expertise.

The lower court ruled that (different hiring courses and treatment between men and women) violates the Constitution's Article 14 stipulation that all are equal before the law and banning gender discrimination. But at the time of 1985, when Kanematsu introduced the dual career track system, the Equal Employment Law simply obligated firms to make efforts to stop gender-based discrimination. So, the court did not decide whether that system was illegal.

The plaintiffs are six women who joined the company during 1957-1982. Under the company's dual career track system, men were installed in corporate services positions while women engaged in clerical duties. But in 1997, when the amendment to the Equal Employment Law came into effect, the company adopted a system that allowed workers to change tracks.

16) Resistance continuing against reform of public servant system

SANKEI (Page 5) (Excerpts)  
February 1, 2008

The government's Council on Comprehensive Reform of the Public Servant System yesterday compiled a report indicating the direction of reform for the time being. Attention is now shifting to how far the government will reflect in a bill what is written in the report.

But the reform is certain to face resistance from the central government bureaucracy and Diet members with links to certain government ministries and agencies. Depending on how the report will be modified in the government and the ruling parties, there is the fear that the report will become merely a dead letter. Prime Minister Yasuo Fukuda's seriousness and leadership toward reform is about to be tested.

The report was drafted by council member and former Economic Planning Agency Director-General Taichi Sakaiya. Sakaiya proudly said yesterday, "If it is implemented as is, it will lead to major reform." But the report faced a number of difficulties before it was approved.

The initial draft of the report penned by Sakaiya and political commentator Yayama Taro, both of whom are seen as reform-promoters, specified a ban on contacts between Diet members and national government employees in principle. But this ban was rewritten as "restrictions on contacts" by setting strict rules for contacts; as a result, the report was significantly toned down.

SCHIEFFER